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Indonesia

Oilseeds and Products Update

Indonesia Oilseeds and Products Update 2015

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Report Highlights:
2014/15 palm oil production is revised down based on deficient rainfall in southern Sumatera and central Kalimantan. Petroleum prices have made Indonesian biodiesel less competitive, reducing its consumption in Indonesia. Soybean imports remain ahead of pace due to low prices and ample supplies.

Post:
Jakarta

Executive Summary:
Palm Oil
Production

Indonesian meterological Service (BMKG) data indicates that Southern Sumatera experienced extremely deficient rainfall during the July August 2014 period. Sumatra's Jambi province also had poor rainfall from August through October 2014. These two regions are more likely to experience production declines over the coming months in Sumatera, dropping as much as 30% below optimal during summer 2015. Note Indonesia's production cycle is typically at its lowest during this period. The drought hit areas of Southern Sumatera represent roughly 20 percent of Indonesia's total palm oil output. Northern Sumatera fared better, with mild rainfall deficits in June, July and August. It is expected that Northern Sumatera production will not decline, or only do so minimally in 2015. Northern Sumatera represents approximately 45 percent of Indonesia's palm oil production.
Central Kalimantan was also hit by insufficient rain between July and October 2014, implying possible production declines as high as 30 percent in summer 2015. The rest of Kalimantan also experienced periods of insufficient precipitation, although the most significant hit to palm oil production was in the Central region. Eastern Kalimantan received reasonably good precipitation for palm oil production.
Although less-than-optimal yields due to moisture deficiencies are significant enough to slow growth, this is offset by gains in Indonesia's overall productivity. Specifically, Indonesia's planting expansion started in 1998, and a large section of its plantation area is undergoing the rapid yield growth typical of palm oil that has not reached full maturity. As a result, post still expects production to increase in 2014/15. Under normal conditions, productivity will grow by 10 percent (33.5 million metric tons), although the documented rainfall deficiencies may limit increases to a little as seven or eight percent. As a result, Post adjust its 2014/15 production estimate from 33.5 million to 33 million metric tons. 2013/14 production remains unchanged at 30.5 million metric tons.
New production areas continue to open, but at a declining rate. Seed sales for 2014 fell by nearly 20 percent in 2014, much higher than estimated in Posts 2014 annual report. Post continues to verify the distribution of certified seed between new plantings and replanted areas. Also, concerns for a potential El Nino phenomena continue to decline with BMKG again downgrading its expectation of a late onset weak El Nino.

Consumption
Indonesian palm oil consumption did not reach as high a level as previously reported in the November 2014 update. Industry estimates for biofuel realization in Indonesia came in at 1.6 million liters, well below the targeted 3.3 million liters that the Indonesian Palm Oil Association had targeted previously. Indonesian biodiesel production was limited by declining oil prices, which left biodiesel development less competitive and reliant on heavier government intervention. As a result, post lowers its industrial consumption estimate from 3.8 to 3 million tons. 2014/15 is revised downward to 4 million tons, although this could rise if Indonesia increases its biodiesel budget or petroleum prices fall.

Trade

2013/14 Indonesian palm oil exports are revised up to 21.718 million tons, based on trade data. Strong first quarter 2014/15 marketing year palm oil exports are led by shipments to India and Pakistan. High palm and soy supplies have pushed down prices and are driving price buying in South Asia. Additionally, industry contacts report that Indian buyers may be taking precautionary moves in advance of an anticipated import tariff. This appears accurate, as Post India reports that the Indian government hiked the import duty on crude vegetable oil from 2.5 to 7.5 percent and refined oil from 10 to 15 percent, effective December 24, 2014. Reports indicate that the Indian oilseed industry continues to press for additional tariffs on crude vegetable oils from 2.5% to 10% and refined vegetable oils from 10% to 25% prior to India's rapeseed harvest anticipated for late February and March. Given these factors, industry sources expect Indian imports will soften in January.
Advance data shows October- December 2014 exports about 14 percent ahead of the same period in 2013 with imports peaking in October and remaining strong, but declining through December. Post notes that October, November and December recorded Indonesia's highest palm oil exports in calendar year 2014. Considering this information, Post's estimate for 2014/15 exports is revised slightly upwards to 22.5 million metric tons.

Stocks
Post revises 2013/14 ending stocks from 1.955 million tons to 2.037 tons due to downward revisions to consumption. 2014/15 ending stocks are set to grow following the decline in industrial consumption and the previous year's stock declines.

Soybean
Production

Post soybean production numbers for 2013/14 and 2014/15 remain unchanged. Rainfall data shows that central Java received above average rainfall in November, supporting dryland soy planting. East Java rainfall was about 30 percent lower than the five year average for November rainfall in the region. However, industry sources indicate that sufficient rainfalls arrived later in the month, implying that soybean harvest in the region will be offset to late February/early March. Indonesian planting data shows that plantings in the September-December period are approximately 5 percent above the same period in 2013.
The possibility of an El Nino phenomena has been further downgraded by the Indonesian weather service. A late onset, weak El Nino still remains a possibility, albeit a small possibility. If the weather phenomena occurs, soybean ripening, harvest and storage will likely benefit from the additional daylight and dryness.

Trade
Complete marketing year (MY) data for 2013/14 shows final imports to Indonesia at 2.24 million, revised slightly downward from 2.25 million in Post's November update. Post's MY 2014/15 import estimate remains unchanged. As expected, early shipments for MY 2014/15 are ahead of pace. November 2014 shipments from the United States to Indonesia were especially high, approaching 240,000 tons. This pace is expected to continue through December, tapering off in 2015. Industry sources confirm the trend, noting that first quarter marketing year imports are about 30 percent ahead of their regular total. The fast import pace is likely the result of low soybean prices due to abundant supplies and new crop. Post maintains the position that Indonesian advance purchasing will grow

2013/14 ending stocks, which will then be drawn down through 2014/15. As a result, it appears unlikely that 2014/15 imports will exceed 2013/14.
Industry sources stated that port slowdowns in the United States have not led to significant problems with soybean shipments. They note that bulk shipments out of the Gulf are not delayed, but that container shipments from the west coast still face up to three week delays in January.
Indonesian trade policy under the new Jokowi government maintains its aspirations for self-sufficiency in soybean production. The government, however, has yet to take specific action that will significantly increase local production. Industry sources report that the Indonesian government may impose a five percent import tariff in early 2015, although there is no government confirmation of this possibility.

Consumption
Post's 2013/14 and 2014/15 consumption estimates remain unchanged. Post expects that consumption will continue to grow in line with population growth. Recent trade policy actions have banned popular and inexpensive beef offal as well as poultry breeding stock. The expected increase in poultry prices, as well as the unavailability of alternate protein sources supports additional consumption of soybean and fish products. Indonesian soybean consumption is centered on the tofu and tempeh industry, accounting for about 90 percent of Indonesia's soybean consumption.

Stocks
2013/14 ending stocks have been adjusted downward, supporting complete marketing year import data, which is now estimated at 2.24 million metric tons. 2013/14 ending stocks are estimated at 225 thousand metric tons, reflecting high end of year imports due to ample global supplies and low prices. 2014/15 ending stocks are expected to decline as soybean prices firm up and imports decline. The 2014/15 ending stock estimate is revised slightly downward from 75 to 65 thousand metric tons, in line with 2013/14 ending stock revisions.

PSD Tables
Oilseed, Soybean

	2012		**2013**		**2014**	
Oilseed, Soybean Indonesia	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Oct 2012		**Market Year Begin: Oct 2013**		**Market Year Begin: May 2014**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	450	550	450	550	450	550
Area Harvested	450	450	450	450	450	450
Beginning Stocks	51	51	15	15	55	225
Production	600	600	620	675	620	620
MY Imports	1,795	1,795	2,050	2,240	2,200	2,000
MY Imp. from U.S.	1,669	1,669	1,725	2,150	1,825	1,825

MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,446	2,446	2,685	2,930	2,875	2,845
MY Exports	2	2	1	1	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,400	2,400	2,600	2,645	2,750	2,750
Feed Waste Dom. Cons.	29	29	29	59	30	30
Total Dom. Cons.	2,429	2,429	2,629	2,704	2,780	2,780
Ending Stocks	15	15	55	225	95	65
Total Distribution	2,446	2,446	2,685	2,930	2,875	2,845
CY Imports	1,826	1,785	2,150	2,000	2,200	2,000
CY Imp. from U.S.	1,684	1,643	1,750	1,850	1,850	1,850
CY Exports	2	2	1	1	0	0
CY Exp. to U.S.	0	0	0	0	0	0
TS=TD	0	0	0	0	0	0

Oil, Palm

Oil, Palm **Indonesia**	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Oct 2012		**Market Year Begin: Oct 2013**		**Market Year Begin: May 2014**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	0	9,935	0	10,325	0	10,640
Area Harvested	7,685	7,685	8,115	8,115	8,540	8,540
Trees	0	1,490,250	0	1,548,750	0	1,596,000
Beginning Stocks	1,445	1,445	1,758	1,795	2,618	2,037
Production	28,500	28,500	31,000	30,500	33,500	33,000
MY Imports	38	38	40	40	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	29,983	29,983	32,798	32,335	36,118	35,037
MY Exports	20,373	20,373	20,400	21,718	22,000	22,500
MY Exp. to EU	3,494	3,494	3,500	3,500	3,500	3,500
Industrial Dom. Cons.	2,735	2,735	4,100	3,000	5,000	4,000
Food Use Dom. Cons.	4,882	4,845	5,400	5,300	5,900	6,000
Feed Waste Dom. Cons.	235	235	280	280	320	320

Total Dom. Cons.	7,852	7,815	9,780	8,580	11,220	10,320
Ending Stocks	1,758	1,795	2,618	2,037	2,898	2,217
Total Distribution	29,983	29,983	32,798	32,335	36,118	35,037
CY Imports	1	1	1	1	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	20,550	20,550	21,500	21,000	23,000	22,000
CY Exp. to U.S.	50	372	50	430	0	0
TS=TD	0	0	0	0	0	0